

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-01 INR-07 IO-14 NEA-10 NSAE-00
USIA-15 OPIC-06 SP-02 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 NSC-05 STR-05 DODE-00 PM-05 H-02
L-03 PA-02 PRS-01 /138 W
-----124153 221215Z /14

R 220845Z DEC 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 3787
TREASURY DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: OFFICIAL JFY 1978 ECONOMIC OUTLOOK

1. SUMMARY: JAPANESE CABINET OFFICIALLY APPROVED DEC 21
ECONOMIC OUTLOOK FOR JFY PROJECTING 7 PERCENT REAL GROWTH.
DETAILS OF OUTLOOK ESSENTIALLY SAME AS REPORTED TOKYO 19590,
PARA 6. ACCOMPANYING STATEMENT STRESSES ECONOMIC GOALS FOR
FY 1978 WILL BE MAINTENANCE OF EMPLOYMENT AND REDUCTION OF
CURRENT ACCOUNT SURPLUS TO BE ACHIEVED THRU VIGOROUS FISCAL
STIMULUS OF DOMESTIC DEMAND. END SUMMARY.

2. FOLLOWING IS OFFICIAL ECONOMIC PLANNING AGENCY (EPA)
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OUTLOOK FOR JFY 1978 AND REVISED OUTLOOK FOR JFY 1977.
GOJ ECONOMIC FORECAST FOR JFY 1978

	PERCENT CHANGE FROM			
	IN BIL YEN		PRIOR YEAR	
	JFY 1977	JFY 1978	JFY 1977	JFY 1978
GNP	188,000	210,600	11.1	12.0
(IN REAL TERMS)	N/A	N/A	5.3	7.0

PVT CONSUMPTION 107,150 119,850 11.4 11.9

PVT HOUSING INV. 13,200 15,000 7.5 13.6

PVT PLANT & EQUIP

INVESTMENT 23,350 25,650 3.0 9.9

INCREASE IN PVT

INVENTORY 3,050 3,800 3.0 24.6

MIN AND MANUFAC-

TURING INDUS. 130.6 139.5 2.6 6.8

PROD. INDEX

(1970 EQUALS 100)

WPI (1970 EQUALS

100) 168.3 172.9 0.6 2.7

CPI (1975 EQUALS

100) 120.3 128.5 7.6 6.8

(NOTE: GNP AND OTHER NATIONAL ACCOUNT FIGURS ARE ALL IN
NOMINAL TERMS UNLESS OTHERWISE INDICATED.)

GOJ BALANCE OF PAYMENTS PROJECTION

IN & BIL PERCENT CHANGE FROM
PRIOR YEAR

FJY 1977 JFY 1978 JFY 1977 JFY 1978

CURRENT ACCOUNT

BALANCE 10.0 6.0

TRADE BALANCE 16.5 13.5

(EXPORTS) 79.5 85.0 15 7

(IMPORTS) MIN 63.0 MIN 71.5 8 13

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TRANSFER BAL. MIN 6.5 MIN 7.5

LONG-TERM CAPITAL

BALANCE MIN 5.0 MIN 7.0

BASIC BALANCE 5.0 MIN 1.0

(CUSTOMS BASIS TRADE DATA)

EXPORTS, F.O.B. 91.0 86.5 15 7

IMPORTS, C.I.F. MIN 72.0 MIN 81.0 7 13

3. GOVT SECTOR WAS NOT PROVIDED IN THE OUTLOOK SINCE THE
SUPPORTING BUDGET HAS NOT YET BEEN OFFICIALLY APPROVED.
GNP WAS PROJECTED IN BOTH REAL AND OMINAL TERMS. AS IS CUSTTOMARY,
ONLY NOMINAL VALUES WERE PRESENTED FOR INCREASES IN COMPONENTS
OF GNP.

4. EPA SPOKESMAN (SAWANO, DEP DIR GE, COORDINATION BUREAU)
IN SUMMARIZING THE OUTLOOK TO THE FOREIGN PRESS SAID THE
GOVT'S GOALS IN FORMULATING ITS JFY 1978 ECONOMIC POLLICIES, IN
ORDEROF PRIORITY, ARE: A) TO MAKE AN ALL-OUT EFFORT FOR ECONOMIC
RECOVERY TO SECURE JOBS, B) TO EXPAND DOMESTIC DEMAND IN
ORDER TO INCREASE IMPORTS AND REDUCE THE CURRENT ACCOUNT
SURPLUS, C) TO FURTHER STABILIZE PRICES, D) TO PROCEED WITH
NECESSARY STRUCTURAL ADJUSTMENTS. HE SAID ACHIEVING THE

GROWTH TARGET WOULD NOT BE EASY, WOULD REQUIRE SPECIAL EFFORTS BY LOCAL GOVTS AND THE PRIVATE SECTOR AS WELL AS BY THE CENTRAL GOVT, BUT THE GOVT WOULD MAKE AN ALL-OUT EFFORT TO ACHIEVE "AROUND" 7 PERCENT REAL GROWTH. (SAWANO CORRECTED THE INTERPRETER TO ADD THE QUALIFICATION "AROJND.")

5. CONCERNING THE \$6 BIL CURRENT ACCOUNT SURPLUS, SAWANO SAID EPA HAD ASSUMED THAT IN THE FIRST HALF OF FY 1978 STILL SLOW DOMESTIC DEMAND WOULD INHIBIT IMPORTS AND, COMBINED WITH J-CURVE EFFECTS FROM YEN APPRECIATION, WOULD KEEP THE SURPLUS FROM FALLING SIGNIFICANTLY. HOWEVER, BY THE SECOND HALF OF THE YEAR, THE EFFECT OF THE HIGH YEN ON EXPORTS AND STRENGTHENING DOMESTIC DEMAND ON IMPORTS WOULD LEAD TO A UNCLASSIFIED

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DRASTIC REDUCTION IN THE SURPLUS. (SAWANO REFUSED TO VERIFY A NIHON KEIZAI REPORT THAT AN EXCHANGE RATE OF YEN 240 TO THE DOLLAR HAD BEEN USED IN PREPARING THE FORECAST.)

6. SAWANO IMPLICITLY CONFIRMED MAJOR FISCAL POLICY ASSUMPTIONS UNDERLYING THE OFFICIAL OUTLOOK AS REPORTED TOKYO 19591. SAWANO AT THREE POINTS IN THE DISCUSSION MENTIONED THAT THE GOVT WAS ALSO "PONDERING" THE INTRODUCTION OF TAX CREDITS FOR HOUSING AND CORPORATE INVESTMENT.

7. EMBASSY IS PREPARING ITS ASSESSMENT, WHICH WILL BE FORWARDED SEPARATELY.
MANSFIELD

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ESTIMATES, ECONOMIC REPORTS
Control Number: n/a
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Sent Date: 22-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Executive Order: N/A
Errors: N/A
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Litigation History:
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Review Withdrawn Fields: n/a
SAS ID: 143071
Secure: OPEN
Status: NATIVE
Subject: OFFICIAL JFY 1978 ECONOMIC OUTLOOK
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f3cdcafd-c188-dd11-92da-001cc4696bcc
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